

**CITY OF PLEASANTON,
KANSAS**

**Regulatory Basis Financial Statement
and Independent Auditors' Report with
Regulatory-Required Supplemental Information
And Federal Compliance Section
For the Year Ended December 31, 2015**

CITY OF PLEASANTON, KANSAS

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
FINANCIAL STATEMENT:	
Independent Auditors' Report	1-3
Summary Statement of Receipts, Expenditures, and Unencumbered Cash-Regulatory Basis	4
Notes to the Financial Statement.....	5 - 15
REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule 1	
Summary of Expenditures - Actual and Budget – Regulatory Basis	16
Schedule 2	
Schedule of Receipts and Expenditures - Actual and Budget – Regulatory Basis	
General Fund.....	17 - 18
Consolidated Street Fund.....	19
Municipal Equipment Fund	20
Special Capital Improvement Fund	21
Special Highway Improvement Fund	22
CDBG Grant Fund	23
Capital Improvement Projects Fund	24
General Bond and Interest Fund	25
Sewage Disposal Utility Fund	26
Water Utility Fund	27
Water Capital Improvement Reserve Fund	28
General Cost of Issuance Fund	29
FEDERAL COMPLIANCE SECTION:	
Schedule of Expenditures of Federal Awards.....	30
Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required By OMB Circular A-133	31-32
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>	33-34
Schedule of Findings and Questioned Costs.....	35-36
Corrective Action Plan.....	37

Diehl Banwart Bolton

Certified Public Accountants P.A.

INDEPENDENT AUDITORS' REPORT

To the Mayor and the City Council
City of Pleasanton, Kansas

We have audited the accompanying summary statement of receipts, expenditures, and unencumbered cash balance, regulatory basis, of the City of Pleasanton, Kansas as of and for the year ended December 31, 2015 and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the City of Pleasanton, Kansas to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Pleasanton, Kansas as of December 31, 2015 or changes in financial position or cash flows thereof for the year then ended.

Unqualified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance for the City of Pleasanton, Kansas as of December 31, 2015, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Summary Statement of Receipts, Expenditures, and Unencumbered Cash Balance, Regulatory Basis (basic financial statement) as a whole. The Summary of Expenditures – Actual and Budget, Regulatory Basis and individual fund Schedules of Receipts and Expenditures – Actual and Budget, Regulatory Basis (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and although it is not a required part of the basic financial statement, the information is required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information and the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2016 on our consideration of the City of Pleasanton, Kansas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Pleasanton, Kansas' internal control over financial reporting and compliance

Diehl, Banwart, Bolton

DIEHL, BANWART, BOLTON, CPAs PA

April 28, 2016
Fort Scott, Kansas

CITY OF PLEASANTON, KANSAS

Summary Statement of Receipts, Expenditures, and Unencumbered Cash, Regulatory Basis For the Year Ended December 31, 2015

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add	
					Encumbrances and Accounts Payable	Cash Balance December 31, 2015
General Fund	\$ 56,001.82	\$ 669,482.52	\$ 608,335.18	\$ 117,149.16	\$ -	\$ 117,149.16
Special Purpose Funds:						
Consolidated Street	24,386.78	161,023.54	135,941.47	49,468.85	-	49,468.85
Municipal Equipment	89,556.18	12,000.00	20,094.00	81,462.18	-	81,462.18
Special Capital Improvement	34,381.93	12,097.49	41,769.29	4,710.13	-	4,710.13
Special Highway Improvement	57,670.59	38,000.00	35,905.00	59,765.59	-	59,765.59
Capital Project Funds:						
CDBG Grant	-	100,278.32	100,278.32	-	-	-
Capital Improvement Projects	1,422,983.95	4,617,025.36	6,080,684.39	(40,675.08)	44,789.08	4,114.00
Bond and Interest Fund:						
General Bond and Interest	1,389.55	52,440.45	53,830.00	-	-	-
Business Funds:						
Sewage Disposal Utility	109,872.44	198,405.73	91,159.23	217,118.94	-	217,118.94
Water Utility	177,519.13	323,466.32	230,427.28	270,558.17	36,602.64	307,160.81
Water Capital Improvement Reserve	62,494.15	18,610.45	25,846.05	55,258.55	-	55,258.55
General Bond Cost of Issuance	71,185.82	-	64,210.09	6,975.73	-	6,975.73
Total Reporting Entity	\$ 2,107,442.34	\$ 6,202,830.18	\$ 7,488,480.30	\$ 821,792.22	\$ 81,391.72	\$ 903,183.94
Composition of Cash:						
Petty Cash						\$ 100.00
General Checking Account						702,969.94
Project Checking Accounts						4,114.00
Project Savings Account						-
Certificates of Deposit						196,000.00
Total Cash						\$ 903,183.94

The notes to the financial statement are an integral part of this statement.

CITY OF PLEASANTON, KANSAS

Notes to the Financial Statement For the Year Ended December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Pleasanton, Kansas (the City), was incorporated as a City of the third class on October 29, 1869, under the provision of K.S.A. 13-101 et seq. The City operates under a City Council and Mayor form of government and provides the following services as authorized by its Charter: public safety (police and fire), highway and streets, water and sewer, health and social services, culture-recreation, education, public improvements, planning and zoning, and general administrative services.

The financial statement of the City of Pleasanton, Kansas, has been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Kansas Municipal Audit and Accounting Guide (KMAAG), as approved by the director of the Kansas Division of Accounts and Reports, establishes the guidelines for the regulatory basis of accounting in the state of Kansas. The more significant of the City's accounting policies follow.

Reporting Entity

The City of Pleasanton, Kansas (the City) is a municipal corporation governed by an elected five member City Council. This financial statement presents the City of Pleasanton, Kansas (the primary government). Related municipal entities may be included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

The following is a brief review of related entities.

Housing Authority

The City of Pleasanton Housing Authority operates the City's housing projects. The housing authority can sue and be sued, and can buy, sell, or lease real property. Bond issuances must be approved by the City.

The City has elected to exclude the related entity from the basic financial statement. Separate financial statements are not available for the related entity.

Basis of Presentation - Fund Accounting

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restriction, or limitations.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)
Basis of Presentation - Fund Accounting (Continued)

The following types of funds comprise the financial activities of the City of Pleasanton, Kansas:

General Fund – the chief operating fund used to account for all resources except those required to be accounted for in another fund.

Special Purpose Funds – used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Capital Project Funds – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Bond and Interest Fund – used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Business Funds – funds financed in whole or part by fees charged to users of the goods or services (i.e. enterprise and internal service funds, etc.).

Trust Funds - funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.).

Regulatory Basis of Accounting and Departures from Accounting Principles Generally Accepted in the United States of America

The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

As discussed previously, related municipal entities are not included in this financial statement.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the regulatory basis of accounting.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Budgetary Information

Kansas Statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no budgets amended this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds, fiduciary funds, reserve accounts established by bond ordinances, and the following special revenue funds:

- Special Capital Improvement Fund (K.S.A. 12-1, 118)
- Municipal Equipment Fund (K.S.A. 12-1, 117)
- Special Highway Improvement Fund (K.S.A. 68-590)
- Water Capital Improvement Reserve Fund (K.S.A. 12-1, 118)

Spending in funds which are not subject to the legal annual operating budget requirement are controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Cash and Investments

The City pools idle cash from all funds for the purpose of increasing income through investment activities. Cash consists of an interest bearing checking account and certificates of deposit.

Property Taxes

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1st of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1st of the ensuing year. Consequently, for revenue recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. At December 31, such taxes are a lien on the property.

Compensated Absences

Full-time employees are granted paid vacation (annual leave) according the schedule below. No current or accrued paid annual leave may be taken during the first six months of employment. Vacation leave is awarded on January 1 of each year. On the first January 1 of an employee's employment, the employee is awarded 1.5 hours of annual leave for each contiguous week of employment in the immediately preceding year. On each January thereafter, the employee is awarded vacation leave based on the number of full years the employee has been continuously employed by the City, based on the following schedule:

<u>Years of continuous employment</u>	<u>Other Hours</u>	<u>Police Hours</u>
One to five	80	82.50
six to ten	96	99.00
eleven to fifteen	120	132.00
after fifteen	144	156.75

Full time employees other than a police officer, with more than ninety days of employment with the City accrue sick leave at a rate of 8 hours per month to a maximum of 400 hours. Full time police officers with more than six months of employment with the City accrue sick leave at a rate of 8.25 hours per month to a maximum of 440 hours. Sick leave is awarded as of the first day of each month of service, beginning with the first month following completion of the employee's first 90 days of employment.

The City accrues a liability for compensated absences which meet the following criteria:

1. The City's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated and is material.

In accordance with the above criteria, the City has not accrued a liability for compensated absences which has been earned but not taken by City employees inasmuch as the amount is not considered to be material.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Termination and Post Employment Benefits

No termination benefits are provided to City employees when employment with the City ends except for the accrued compensated absences as discussed in Note 1.

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program.

2. **COMPLIANCE, STEWARDSHIP, AND ACCOUNTABILITY**

Compliance With Kansas Statutes

This financial statement and the regulatory-required supplementary information is designed to show compliance with the cash basis and budget laws of Kansas. As shown in the financial statement, the Capital Improvement Projects Fund show a negative unencumbered cash balance in apparent violation of the Kansas cash basis law. However, this is apparently not a violation of the cash basis law due to grant money receivable as of December 31, 2015. The City was in apparent compliance with these laws.

3. **DEPOSITS AND INVESTMENTS**

K.S.A. 9-1401 establishes the depositories which may be used by the City. The Statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices, but has limited the investments to time deposits at the local bank.

Concentration of credit risk. State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Government's deposits may not be returned to it. State statutes require the Government's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City does not have any "peak periods" designated.

3. DEPOSITS AND INVESTMENTS (Continued)

At December 31, 2015 the City's carrying amount of deposits was \$903,083.94 and the bank balance was \$923,608.93. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$459,287.31 was covered by federal depository insurance, and the remaining \$464,321.62 was collateralized with securities totaling \$859,579.34 held by the pledging financial institutions' agents in the City's name.

4. DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publically available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1 and KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 0.85% contribution rate for Death and Disability Program) and the statutory contribution rate was 9.48% for the fiscal year ended December 31, 2015. Contributions to the pension plan from the City were \$29,761.39 for the year ended December 31, 2015.

Net Pension Liability

At December 31, 2015, the City's proportionate share of the collective net pension liability reported by KPERS was \$277,656. The total net pension liability as of June 30, 2015 was \$8,978,950,317. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014, which was rolled forward to June 30, 2015. The City's proportion of the net pension liability was based on the ratio of the City's contributions to KPERS, relative to the total employer and nonemployer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

4. **DEFINED BENEFIT PENSION PLAN** (Continued)
Net Pension Liability (Continued)

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at www.kpers.org or can be obtained as described above.

5. **WATER CUSTOMER DEPOSITS**

Water customers are required to make cash deposits to the City when starting new water service. The deposits are refunded to the customers when service is terminated. At December 31, the City has \$36,602.64 of customer deposits, which are included as an encumbrance in the Water Utility Fund in these financial statements.

6. **RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; employees health and life; and natural disasters. The City manages these risks of loss through various insurance policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

7. **INTERFUND TRANSFERS**

Operating transfers between funds were as follows:

<u>From Fund</u>	<u>To Fund</u>	<u>KSA Statutory Authority</u>	<u>Amount</u>
General	Municipal Equipment	12-1,117	\$ 8,500.00
General	Special Highway Improvement	12-1,118	18,000.00
Water Utility	Water Capital Improvement	12-825d	18,610.45
Water Capital Improvement	General Bond and Interest	12-825d	16,535.45
Sewer Utility	Special Highway Improvement	12-825d	20,000.00
Sewer Utility	Municipal Equipment	12-825d	2,500.00
Special Highway Improvement	General Bond and Interest	12-1,118	35,905.00

8. **CONTINGENCIES**

Grants are subject to additional audits by regulatory agents, the purpose of which is to ensure compliance with the specific conditions of the grants. Any liability for reimbursement which may arise as a result of the audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material and would not be payable by the City.

9. CAPITAL PROJECTS

The City has the following capital projects in progress as of the end of this year:

Community Building:

Sources of Funds:	
CDBG Grant	\$ 300,000
Local Match (including in-kind)	<u>307,368</u>
Authorized Project Expenditures	<u>\$ 607,368</u>
Actual Expenditures Project to Date	<u>\$ 314,872</u>

Infrastructure Expansion, Northeast Portion of the City

Sources of Funds:	
General Obligation Bonds	\$ 890,000
Authorized Project Expenditures	<u>\$ 890,000</u>
Actual Expenditures Project to Date	
Bond Issue Costs	\$ 120,294
Interest on Temporary Note	6,215
Capital Outlays	<u>763,491</u>
Total Expenditures Project to Date	<u>\$ 890,000</u>

USDA RD Water Main Replacement

Sources of Funds:	
USDA RD Loan (1)	\$ 3,851,000
USDA RD Grant	835,000
Interest Earned	<u>100</u>
Authorized Project Expenditures	<u>\$ 4,686,100</u>
Actual Expenditures Project to Date	
Bond Issue Costs	\$ 57,968
Interest on Temporary Note	23,190
Capital Outlays, engineering	<u>4,576,617</u>
Total Expenditures Project to Date	<u>\$ 4,657,775</u>

10. SUBSEQUENT EVENTS

Management has evaluated events and transactions occurring subsequent to December 31, 2015 through April 28, 2016 the date the financial statement was available to be issued. During this period, there were no subsequent events requiring recognition in the financial statements or disclosure in the notes to the financial statements, except as follows:

- The City Council approved the construction of a community center that will meet several needs including to provide a venue for large community events; to provide a community tornado shelter, and to provide new facilities for the senior lunch program. The estimated cost of the Center is \$607,368 and is to be funded with a grant totaling \$300,000 and volunteer/donated labor, materials, equipment and cash of \$307,368. Construction began in 2014 and is expected to be completed in 2016.
- The City Council has approved a water main replacement project in the City with an estimated cost of \$4,686,000, to be funded with a USDA Rural Development grant of \$835,000 and general obligation bonds totaling \$3,851,000 for a term of 40 years at 2.50% interest. The GO Bonds were issued in 2015, with additional bonds totaling \$69,000 issued in 2016. The project is expected to be completed by the end of 2016.
- In January 2014, the City was awarded a Federal Lands Access Program Grant of \$482,957 to make improvement at the City Lake to allow better access to Federal lands nearby. The project is not expected to be completed until 2016.

11. LONG TERM OBLIGATIONS

Details about the City's long-term obligations, changes in long term debt, and current maturities for the next five years and thereafter are recorded as follows:

Debt	Original Amount	Date Issued	Maturity Date	Interest Rate	Beginning Balances	Increases or New Debt Issued	Decreases or Debt Repaid	Ending Balances	Interest Paid
<u>General Obligation Bonds</u>									
Series 2010	\$ 300,000	2/1/2010	9/1/2019	2.77-4.4%	\$ 160,000.00	\$ -	\$ 30,000.00	\$ 130,000.00	\$ 5,905.00
Series 2011	170,000	12/15/2011	11/1/2021	1.2-2.7%	125,000.00	-	15,000.00	110,000.00	2,925.00
Series 2014	890,000	12/1/2014	9/1/1935	3-4.9%	890,000.00	-	-	890,000.00	-
Series 2015	3,782,000	8/19/2015	8/19/2055	2.50%	-	3,782,000.00	-	3,782,000.00	-
Series 2016	69,000	2/26/2016	2/26/2056	2.50%	-	-	-	-	-
Total General Obligation Bonds					1,175,000.00	3,782,000.00	45,000.00	4,912,000.00	8,830.00
<u>Temporary Notes</u>									
Series 2014	3,782,000	8/26/2014	3/1/2016	0.55%	3,782,000.00	-	3,782,000.00	-	21,089.90
Total Temporary Notes					3,782,000.00	-	3,782,000.00	-	21,089.90
<u>Lease Purchase Agreements</u>									
Police Cars	13,500	8/19/2013	7/1/2016	3.50%	6,926.38	-	4,649.58	2,276.80	110.41
2012 Ford F-350 Pickup	31,035	10/4/2012	10/1/2017	2.99%	19,166.97	-	6,228.29	12,938.68	546.51
2014 Case 580 Backhoe	56,392	8/22/2014	8/22/2024	4.45%	56,392.00	-	4,599.72	51,792.28	2,509.44
2015 Ford Police Interceptor	25,399	5/19/2015	5/15/2020	3.85%	-	25,399.00	-	25,399.00	-
Total Lease Purchase Agreements					82,485.35	25,399.00	15,477.59	92,406.76	3,166.36
<u>Water Pollution Control Revolving Loan</u>									
No. C20 1588-01	357,700	6/4/2001	2/1/2022	3.14%	166,626.86	-	17,391.40	149,235.46	5,096.62
Total Revolving Loans					166,626.86	-	17,391.40	149,235.46	5,096.62
Total Long Term Obligations					\$5,206,112.21	\$3,807,399.00	\$3,859,868.99	\$5,153,642.22	\$38,182.88

11. LONG TERM OBLIGATIONS (Continued)

Maturities of Long Term Obligations

Debt	2016	2017	2018	2019	2020	2021	2026	2030	2031	2036	2041	2046	2051	2056	Totals
PRINCIPAL															
General Obligation Bonds															
Series 2010	\$ 30,000	\$ 30,000	\$ 35,000	\$ 35,000	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 130,000
Series 2011	15,000	15,000	20,000	20,000	20,000	-	-	-	-	-	-	-	-	-	110,000
Series 2014	10,000	35,000	35,000	35,000	35,000	205,000	240,000	240,000	295,000	483,287	546,795	618,648	699,943	-	890,000
Series 2015	56,111	57,513	58,951	60,425	61,936	333,693	377,543	377,543	427,155	860,287	11,011	12,457	12,457	-	3,782,000
Series 2016	-	1,024	1,049	1,076	1,102	5,939	6,720	6,720	7,605	8,602	9,733	11,011	12,457	2,682	69,000
Total General Obligation Bonds	111,111	138,537	150,000	151,501	118,038	564,632	624,263	624,263	729,760	491,889	556,528	629,659	712,400	2,682	4,981,000
Lease Purchase Agreements															
Police Cars	2,277	-	-	-	-	-	-	-	-	-	-	-	-	-	2,277
2012 Ford F-350 Pickup	6,387	6,552	-	-	-	-	-	-	-	-	-	-	-	-	12,939
2014 Case 580 Backhoe	4,804	5,018	5,242	5,475	5,718	25,535	-	-	-	-	-	-	-	-	51,792
2015 Ford Police Interceptor	4,702	4,883	5,070	5,266	5,479	-	-	-	-	-	-	-	-	-	25,399
Total Lease Purchase Agreements	18,170	16,452	10,312	10,740	11,197	25,535	-	-	-	-	-	-	-	-	92,407
Water Pollution Control Revolving Loan															
No. C20 1588-01	17,942	18,510	19,095	19,700	20,323	53,666	-	-	-	-	-	-	-	-	149,235
Total Revolving Loans	17,942	18,510	19,095	19,700	20,323	53,666	-	-	-	-	-	-	-	-	149,235
TOTAL PRINCIPAL	\$ 147,223	\$ 173,499	\$ 179,407	\$ 181,941	\$ 149,558	\$ 643,833	\$ 624,263	\$ 624,263	\$ 729,760	\$ 491,889	\$ 556,528	\$ 629,659	\$ 712,400	\$ 2,682	\$ 5,222,642
INTEREST															
General Obligation Bonds															
Series 2010	\$ 5,020	\$ 4,000	\$ 2,905	\$ 1,540	\$ 1,080	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,465
Series 2011	2,745	2,565	2,160	1,620	1,283	540	-	-	-	-	-	-	-	-	10,710
Series 2014	58,612	33,003	31,338	29,783	28,313	126,588	91,413	91,413	38,675	-	-	-	-	-	437,742
Series 2015	94,550	93,147	91,709	90,236	88,725	419,610	375,760	375,760	326,148	270,016	206,508	134,655	53,360	-	2,244,425
Series 2016	-	1,725	1,699	1,673	1,646	7,804	7,024	7,024	6,140	5,141	4,011	2,732	1,285	67	40,947
Total General Obligation Bonds	160,927	134,440	129,831	124,351	119,764	554,542	474,196	474,196	370,963	275,137	210,519	137,387	54,645	67	2,747,290
Lease Purchase Agreements															
Police Cars	93	-	-	-	-	-	-	-	-	-	-	-	-	-	93
2012 Ford F-350 Pickup	388	223	-	-	-	-	-	-	-	-	-	-	-	-	611
2014 Case 580 Backhoe	2,305	2,091	1,868	1,634	1,391	2,903	-	-	-	-	-	-	-	-	12,191
2015 Ford Police Interceptor	978	797	609	414	211	-	-	-	-	-	-	-	-	-	3,008
Total Lease Purchase Agreements	3,763	3,111	2,477	2,048	1,602	2,903	-	-	-	-	-	-	-	-	13,903
Water Pollution Control Revolving Loan															
No. C20 1588-01	4,545	3,978	3,393	2,788	2,165	2,554	-	-	-	-	-	-	-	-	19,424
Total Revolving Loans	4,545	3,978	3,393	2,788	2,165	2,554	-	-	-	-	-	-	-	-	19,424
TOTAL INTEREST	\$ 169,235	\$ 141,529	\$ 135,701	\$ 129,688	\$ 123,530	\$ 559,998	\$ 474,196	\$ 474,196	\$ 370,963	\$ 275,137	\$ 210,519	\$ 137,387	\$ 54,645	\$ 67	\$ 2,782,616

CITY OF PLEASANTON, KANSAS
For the Year Ended December 31, 2015

REGULATORY-REQUIRED
SUPPLEMENTARY INFORMATION

CITY OF PLEASANTON, KANSAS

Summary of Expenditures - Actual and Budget, Regulatory Basis
For the Year Ended December 31, 2015

Funds	Certified Budget	Adjustments For Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
General Fund	\$ 608,953.00	\$ 1,054.88	\$ 610,007.88	\$ 608,335.18	\$ (1,672.70)
Special Revenue Funds:					
Consolidated Street	161,500.00	-	161,500.00	135,941.47	(25,558.53)
Debt Service Fund:					
General Bond and Interest	53,830.00	-	53,830.00	53,830.00	-
Enterprise Funds:					
Sewage Disposal Utility	91,988.00	-	91,988.00	91,159.23	(828.77)
Water Utility	319,950.00	-	319,950.00	230,427.28	(89,522.72)
Total Certified Budget	<u>\$1,236,221.00</u>				

CITY OF PLEASANTON, KANSAS
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget, Regulatory Basis
For the Year Ended December 31, 2015

	Current Year		Variance - Over (Under)
	Actual	Budget	
Receipts			
Taxes			
Ad valorem property tax	\$ 290,625.94	\$ 284,948.00	\$ 5,677.94
Delinquent tax	16,602.58	16,000.00	602.58
Motor vehicle tax	36,837.91	34,971.00	1,866.91
Franchise taxes	25,742.18	24,000.00	1,742.18
Sales tax	179,858.94	140,000.00	39,858.94
Intergovernmental			
Alcohol tax	757.80		757.80
County park appropriation	800.00	1,200.00	(400.00)
KDOT Grant	1,018.93	-	1,018.93
Kansas Dept of Wildlife payment	-	-	-
Community Fisheries grant	14,420.00	14,420.00	-
In lieu of taxes	9,675.08	10,500.00	(824.92)
Solid waste	3,900.00	3,900.00	-
Charges for Services			
Swimming pool	13,719.00	12,000.00	1,719.00
Licenses and Permits			
Licenses and permits	3,140.00	2,000.00	1,140.00
Fines, Forfeitures & Penalties	42,743.25	15,000.00	27,743.25
Use of Money and Property			
Interest income	1,219.87	1,500.00	(280.13)
Sale of land and property	-	-	-
Rent	6,050.00	6,000.00	50.00
Other Receipts			
Miscellaneous	12,272.61	6,000.00	6,272.61
Insurance proceeds	10,062.48	3,000.00	7,062.48
Reimbursed expenses	35.95	-	35.95
Operating Transfer from Other Funds			
Sewer Utility	-	-	-
Total Receipts	<u>669,482.52</u>	<u>\$ 575,439.00</u>	<u>\$ 94,043.52</u>

**CITY OF PLEASANTON, KANSAS
GENERAL FUND**

Schedule of Receipts and Expenditures - Actual and Budget, Regulatory Basis
For the Year Ended December 31, 2015

	Current Year		Variance - Over (Under)
	Actual	Budget	
Expenditures			
General Government	\$ 310,884.98	\$ 302,303.00	\$ 8,581.98
City Council	15,342.79	14,200.00	1,142.79
Public Safety			
Fire Department	13,667.00	19,200.00	(5,533.00)
Law Enforcement	130,983.80	128,750.00	2,233.80
Municipal Court	9,033.00	9,500.00	(467.00)
Solid Waste	19,338.17	20,650.00	(1,311.83)
Cultural and Recreation			
Special Park	49,904.16	41,400.00	8,504.16
Special Pool	32,681.28	35,450.00	(2,768.72)
Operating Transfers to Other Funds			
Municipal Equipment	8,500.00	7,500.00	1,000.00
Special Capital Improvement	-	-	-
Special Highway Improvement	18,000.00	30,000.00	(12,000.00)
Subtotal		608,953.00	
Adjustments for Qualifying			
Budget Credits			
Grants in excess of budget	-	1,018.93	(1,018.93)
Reimbursements in excess of budget	-	35.95	(35.95)
Total Expenditures	608,335.18	\$ 610,007.88	\$ (1,672.70)
Receipts Over(Under) Expenditures	61,147.34		
Unencumbered Cash, Beginning	56,001.82		
Unencumbered Cash, Ending	\$ 117,149.16		

CITY OF PLEASANTON, KANSAS
CONSOLIDATED STREET FUND

Schedule of Receipts and Expenditures - Actual and Budget, Regulatory Basis
For the Year Ended December 31, 2015

	Current Year		Variance - Over (Under)
	Actual	Budget	
Receipts			
Taxes			
Ad valorem property tax	\$ 92,326.26	\$ 104,289.00	\$ (11,962.74)
Delinquent tax	7,007.42	6,000.00	1,007.42
Motor vehicle tax	29,573.15	13,394.00	16,179.15
Intergovernmental			
State gasoline tax	31,087.10	30,350.00	737.10
Other Receipts			
Miscellaneous	1,029.61	-	1,029.61
Total Receipts	<u>161,023.54</u>	<u>\$ 154,033.00</u>	<u>\$ 6,990.54</u>
Expenditures			
Streets and Highways	135,941.47	\$ 161,500.00	\$ (25,558.53)
Operating Transfer to Other Funds			
Special Highway Improvement	-	-	-
Total Expenditures	<u>135,941.47</u>	<u>\$ 161,500.00</u>	<u>\$ (25,558.53)</u>
Receipts Over(Under) Expenditures	25,082.07		
Unencumbered Cash, Beginning	<u>24,386.78</u>		...
Unencumbered Cash, Ending	<u>\$ 49,468.85</u>		

CITY OF PLEASANTON, KANSAS
MUNICIPAL EQUIPMENT FUND
Schedule of Receipts and Expenditures - Actual, Regulatory Basis
For the Year Ended December 31, 2015

	<u>Current Year Actual</u>
Receipts	
Other Receipts	
Insurance proceeds	\$ -
Miscellaneous	1,000.00
Operating Transfer from Other Funds	
General Fund	8,500.00
Sewage Disposal Utility	2,500.00
	<u>12,000.00</u>
Total Receipts	
Expenditures	
Capital Outlay	1,450.00
Debt Service on Capital Lease	
Principal	15,378.67
Interest	3,265.33
	<u>20,094.00</u>
Total Expenditures	
Receipts Over(Under) Expenditures	(8,094.00)
Unencumbered Cash, Beginning	89,556.18
	<u>89,556.18</u>
Unencumbered Cash, Ending	<u>\$ 81,462.18</u>

CITY OF PLEASANTON, KANSAS
SPECIAL CAPITAL IMPROVEMENT FUND
Schedule of Receipts and Expenditures - Actual, Regulatory Basis
For the Year Ended December 31, 2015

	<u>Current Year Actual</u>
Receipts	
Other Receipts	
Reimbursed expenses	\$ 11,948.49
Intergovernmental	
KDOC State grant	149.00
Operating Transfers from General Fund	<u>-</u>
Total Receipts	<u>12,097.49</u>
Expenditures	
Operating Expenditures	
Capital Outlay	<u>41,769.29</u>
Total Expenditures	<u>41,769.29</u>
Receipts Over(Under) Expenditures	(29,671.80)
Unencumbered Cash, Beginning	<u>34,381.93</u>
Unencumbered Cash, Ending	<u><u>\$ 4,710.13</u></u>

CITY OF PLEASANTON, KANSAS
SPECIAL HIGHWAY IMPROVEMENT FUND
Schedule of Receipts and Expenditures - Actual, Regulatory Basis
For the Year Ended December 31, 2015

	<u>Current Year Actual</u>
Receipts	
Intergovernmental	
Federal interest on reimbursement	\$ -
Operating Transfers from Other Funds	
General	18,000.00
Consolidated Street	-
Sewer Disposal Utility	<u>20,000.00</u>
Total Receipts	<u>38,000.00</u>
Expenditures	
Operating Expenditures	
Capital Outlay	-
Operating Transfer to Other Funds	
General Bond and Interest Fund	35,905.00
Debt Service	
Principal	-
Interest	<u>-</u>
Total Expenditures	<u>35,905.00</u>
Receipts Over(Under) Expenditures	2,095.00
Unencumbered Cash, Beginning	<u>57,670.59</u>
Unencumbered Cash, Ending	<u><u>\$ 59,765.59</u></u>

CITY OF PLEASANTON, KANSAS
CDBG GRANT FUND
Schedule of Receipts and Expenditures - Actual, Regulatory Basis
For the Year Ended December 31, 2015

	<u>Current Year Actual</u>
Receipts	
Intergovernmental	
CDBG grant	<u>\$ 100,278.32</u>
Total Receipts	<u>100,278.32</u>
Expenditures	
Public Safety	
Capital Outlays	<u>100,278.32</u>
Total Expenditures	<u>100,278.32</u>
Receipts Over(Under) Expenditures	-
Unencumbered Cash, Beginning	<u>-</u>
Unencumbered Cash, Ending	<u><u>\$ -</u></u>

CITY OF PLEASANTON, KANSAS
CAPITAL IMPROVEMENT PROJECTS FUND
Schedule of Receipts and Expenditures - Actual, Regulatory Basis
For the Year Ended December 31, 2015

	<u>Current Year Actual</u>
Receipts	
Use of Money and Property	
Interest income	\$ 25.36
Intergovernmental	
USDA Rural Development Grant	835,000.00
Other Receipts	
Proceeds from New Debt	<u>3,782,000.00</u>
Total Receipts	<u>4,617,025.36</u>
Expenditures	
General Government	
Capital Outlays	2,277,594.49
Debt Service	
Bond issue costs	-
Temporary Notes	
Principal	3,782,000.00
Interest	21,089.90
Water Revolving loans	
Principal	-
Interest	<u>-</u>
Total Expenditures	<u>6,080,684.39</u>
Receipts Over(Under) Expenditures	(1,463,659.03)
Unencumbered Cash, Beginning	<u>1,422,983.95</u>
Unencumbered Cash, Ending	<u><u>\$ (40,675.08)</u></u>

CITY OF PLEASANTON, KANSAS
GENERAL BOND AND INTEREST FUND

Schedule of Receipts and Expenditures - Actual and Budget, Regulatory Basis
For the Year Ended December 31, 2015

	Current Year		Variance - Over (Under)
	Actual	Budget	
Receipts			
Other Receipts			
Miscellaneous	\$ -	\$ -	\$ -
Operating Transfers from Other Funds			
Special Highway Improvement	35,905.00	35,905.00	-
Water Utility	-	-	-
Water Capital Reserve	16,535.45	17,925.00	(1,389.55)
Total Receipts	<u>52,440.45</u>	<u>\$ 53,830.00</u>	<u>\$ (1,389.55)</u>
Expenditures			
Debt Service			
Principal	45,000.00	\$ 45,000.00	\$ -
Interest	8,830.00	8,830.00	-
Other	-	-	-
Total Expenditures	<u>53,830.00</u>	<u>\$ 53,830.00</u>	<u>\$ -</u>
Receipts Over(Under) Expenditures	(1,389.55)		
Unencumbered Cash, Beginning	<u>1,389.55</u>		
Unencumbered Cash, Ending	<u>\$ -</u>		

CITY OF PLEASANTON, KANSAS
SEWAGE DISPOSAL UTILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget, Regulatory Basis
For the Year Ended December 31, 2015

	Current Year		Variance - Over (Under)
	Actual	Budget	
Receipts			
Operating Receipts			
Charges for services	\$ 198,405.73	\$ 197,000.00	\$ 1,405.73
Other Receipts			
Miscellaneous	-	-	-
Total Receipts	<u>198,405.73</u>	<u>\$ 197,000.00</u>	<u>\$ 1,405.73</u>
Expenditures			
Operating Expenditures			
Wastewater Treatment	46,171.21	\$ 44,500.00	\$ 1,671.21
Debt Service on WP Revolving Loan			
Principal	17,391.40	17,391.00	0.40
Interest and fees	5,096.62	5,097.00	(0.38)
Operating Transfer to Other Funds			
Municipal Equipment	2,500.00	5,000.00	(2,500.00)
Special Highway Improvement	20,000.00	20,000.00	-
Water Capital Improvement Reserve	-	-	-
General	-	-	-
Total Expenditures	<u>91,159.23</u>	<u>\$ 91,988.00</u>	<u>\$ (828.77)</u>
Receipts Over(Under) Expenditures	107,246.50		
Unencumbered Cash, Beginning	<u>109,872.44</u>		
Unencumbered Cash, Ending	<u>\$ 217,118.94</u>		

CITY OF PLEASANTON, KANSAS
WATER UTILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget, Regulatory Basis
For the Year Ended December 31, 2015

	Current Year		Variance -
	Actual	Budget	Over (Under)
Receipts			
Operating Receipts			
Charges for services	\$ 296,932.50	\$ 329,779.00	\$ (32,846.50)
Wholesale sales	-	-	-
Penalties	13,801.92	11,000.00	2,801.92
Taxes and fees	6,050.85	4,000.00	2,050.85
Nonoperating Receipts			
Customer deposits	5,355.02	5,000.00	355.02
Miscellaneous	1,326.03	1,000.00	326.03
Reimbursements	-	-	-
Total Receipts	<u>323,466.32</u>	<u>\$ 350,779.00</u>	<u>\$ (27,312.68)</u>
Expenditures			
Operating Expenditures			
Production	71,743.24	\$85,000.00	\$ (13,256.76)
Salaries and Benefits	88,412.95	126,750.00	(38,337.05)
General			
Contractual	36,861.62	50,700.00	(13,838.38)
Commodities	5,396.69	23,500.00	(18,103.31)
Other	-	-	-
Nonoperating Expenditures			
Sales and Production Taxes	4,047.31	5,000.00	(952.69)
Capital Improvements	-	5,000.00	(5,000.00)
Customer Deposits	5,355.02	4,000.00	1,355.02
Debt Service on WP Revolving Loan			
Principal	-	-	-
Interest and fees	-	-	-
Operating Transfers to Other Funds			
General Bond and Interest	-	20,000.00	(20,000.00)
Water Capital Improvement Reserve	18,610.45	-	18,610.45
Subtotal	-	<u>319,950.00</u>	
Adjustments for Qualifying Budget Credits			
Reimbursed expenses	-	-	-
Total Expenditures	<u>230,427.28</u>	<u>\$ 319,950.00</u>	<u>\$ (89,522.72)</u>
Receipts Over(Under) Expenditures	93,039.04		
Unencumbered Cash, Beginning	<u>177,519.13</u>		
Unencumbered Cash, Ending	<u>\$ 270,558.17</u>		

CITY OF PLEASANTON, KANSAS
WATER CAPITAL IMPROVEMENT RESERVE FUND
Schedule of Receipts and Expenditures - Actual, Regulatory Basis
For the Year Ended December 31, 2015

	<u>Current Year Actual</u>
Receipts	
Other Receipts	
Reimbursed expenses	\$ -
Operating Transfers from Other Funds	
Sewage Disposal Utility	-
Water Utility	18,610.45
	<u>18,610.45</u>
Total Receipts	<u>18,610.45</u>
Expenditures	
Capital Outlay	9,310.60
Debt Service	
Principal	-
Interest	-
Operating Transfers to Other Funds	
General Bond and Interest	16,535.45
	<u>25,846.05</u>
Total Expenditures	<u>25,846.05</u>
Receipts Over(Under) Expenditures	(7,235.60)
Unencumbered Cash, Beginning	<u>62,494.15</u>
Unencumbered Cash, Ending	<u><u>\$ 55,258.55</u></u>

CITY OF PLEASANTON, KANSAS
GENERAL BOND COST OF ISSUANCE FUND
Schedule of Receipts and Expenditures - Actual and Budget, Regulatory Basis
For the Year Ended December 31, 2015

	<u>Current Year Actual</u>
Receipts	
Other Receipts	
Bond Proceeds	\$ -
Total Receipts	<u>-</u>
Expenditures	
Debt Service	
Principal	-
Interest	-
Cost of issuance	64,210.09
Total Expenditures	<u>64,210.09</u>
Receipts Over(Under) Expenditures	(64,210.09)
Unencumbered Cash, Beginning	<u>71,185.82</u>
Unencumbered Cash, Ending	<u><u>\$ 6,975.73</u></u>

CITY OF PLEASANTON, KANSAS
For the Year Ended December 31, 2015

FEDERAL COMPLIANCE SECTION

CITY OF PLEASANTON, KANSAS
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	AMOUNT RECEIVED	AMOUNT EXPENDED
<u>U.S. Department of Housing and Urban Development</u>			
Passed through the State of Kansas Department of Commerce			
Small Cities Community Development Block Grants	14.228	\$ 100,278.32	\$ 100,278.32
<u>U.S. Department of Transportation</u>			
Passed through the State of Kansas Department of Transportation			
Grant # OP 1275-13			
Total Traffic Safety & Drunk Driving Prevention	20.601	1,018.93	1,018.93
<u>United States Department of Agriculture-Rural Development</u>			
Direct Programs			
Water and Waste Disposal			
Systems for Rural Communities			
Loan		-	1,191,574.40
Grant (2)		835,000.00	835,000.00
Total	10.760	835,000.00	2,026,574.40
TOTALS		\$ 936,297.25	\$ 2,127,871.65

Notes to the Schedule of Expenditures of Federal Awards:

- (1) Receipts consist of money actually received during the year ended December 31, 2015 except for the Water and Waste Disposal Systems Program. For this program, a temporary note totalling \$3,752,000 was issued in 2014 and used for the purposes of this grant. USDA RD bonds were issued in 2015 and were used to pay off the temporary note. The expenses paid with the temporary note in prior years were considered federal expenses in prior years. The amounts shown above were expenses paid or payable in 2015 with funds from the temporary note.
- (2) Expenditures are recorded on the modified accrual basis of accounting, which records expenses when the goods or services are received, plus accounts payable. Expenditures for these programs may differ from the City's regulatory basis financial statements inasmuch as the City records expenditures when an encumbrance or contract is signed in accordance with the regulatory basis of accounting, whereas expenditures on the financial reports are recorded when the goods or services are received.

Diehl Banwart Bolton

Certified Public Accountants PA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Honorable Mayor and City Council
City of Pleasanton, Kansas

Report on Compliance for Each Major Federal Program

We have audited the City of Pleasanton, Kansas' (the City's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibilities

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Diehl, Banwart, Bolton

DIEHL, BANWART, BOLTON, CPAs PA

April 28, 2016
Fort Scott, Kansas 66701

Diehl Banwart Bolton

Certified Public Accountants PA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council
City of Pleasanton, Kansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement and related notes of the City of Pleasanton, Kansas (the City) as of the year ended December 31, 2015, and have issued our report thereon dated April 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstance for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (2015-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to Management of the City in a separate letter dated April 28, 2016.

The City's Response to Findings

The City's response to the findings identified in our audit is described in the Corrective Action Plan. We did not audit the City's response and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



DIEHL, BANWART, BOLTON, CPAs PA

April 28, 2016
Fort Scott, Kansas 66701

CITY OF PLEASANTON, KANSAS
PLEASANTON, KANSAS

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2015

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENT:

Type of auditors' report issued:

- Adverse for departures from accounting principles generally accepted in the United States of America due to preparation of the financial statement in accordance with the regulatory basis of accounting.
- Unqualified opinion on the regulatory basis financial statement.

Internal control over financial reporting:

- Material weakness(es) identified? __ YES X NO
- Significant Deficiency(ies) identified that
are not considered to be material weaknesses? NONE
X YES __ REPORTED

Noncompliance material to financial statements noted? __ YES X NO

FEDERAL AWARDS:

Internal control over major programs:

- Material weakness(es) identified? __ YES X NO
- Significant deficiency (ies) identified that
are not considered to be material weaknesses? NONE
__ YES X REPORTED

Type of auditors' report issued on compliance for major programs: UNQUALIFIED

Any audit findings disclosed that are required to be reported
in accordance with Section 510(a) of Circular A-133? __ YES X NO

IDENTIFICATION OF MAJOR PROGRAMS:

<u>CFDA #</u>	<u>NAME OF PROGRAM</u>
10.760	Water and Waste Disposal Systems for Rural Communities

Auditee qualified as low-risk auditee? __ YES X NO

SECTION II - FINANCIAL STATEMENT FINDINGS

Significant Deficiency

2015-001 Drafting Financial Statement

Condition: As auditors, we provide significant assistance with adjusting entries, as well as determining which disclosures are required under the regulatory basis of accounting.

Criteria: Internal controls should be in place that provide reasonable assurance that the financial statement is appropriate in form and contains the required disclosures.

Cause: Relying upon the independent auditors is a significant deficiency in internal controls as they cannot be considered part of the City's internal control.

Effect: Since the City relies on independent auditors to determine the financial statement is in the correct form and includes the proper disclosures, the City does not have controls in place for this.

Recommendation: None

Response: The City agrees with the finding. The City's response is in the attached Corrective Action Plan.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

The City of Pleasanton, Kansas (the City)

December 31, 2015 Financial Statement

Corrective Action Plan

Audit Finding 2015-001

The City has always relied upon its auditors to provide significant assistance with adjusting entries and with determining which disclosures were required under accounting principles generally accepted in the United States of America and the regulatory basis of accounting. While the City understands that this is a significant deficiency in our internal controls, we believe it is the most cost effective manner for us to produce our financial statement. Our accounting staff concentrates on providing the reports needed for management purposes. We believe it would be inefficient and cost prohibitive for our staff to attempt to stay current on all the requirements of accounting principles generally accepted in the United States of America and the regulatory basis of accounting. We do not plan on making any changes at this time. However, we will monitor this situation and periodically determine if it is cost effective for us to perform these functions.